

Message Text

CONFIDENTIAL

PAGE 01 KUWAIT 07197 241424Z
ACTION NEA-10

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 ISO-00 SOE-01
AID-05 CEA-01 CIAE-00 COME-00 DODE-00 EB-08
DOE-12 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05
OMB-01 PM-05 USIA-06 OES-07 SP-02 SS-15 STR-05
TRSE-00 ACDA-12 PA-01 PRS-01 /156 W
-----010667 241428Z /47

R 241330Z DEC 77
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 9782
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY BRUSSELS
AMEMBASSY CAIRO
AMEMBASSY CARACAS
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
USINT BAGHDAD POUCH

C O N F I D E N T I A L KUWAIT 7197

AMEMBASSY BRUSSELS PASS TO USMISSION EC

AMEMBASSY PARIS PASS TO USMISSION OECD

E.O. 11652: GDS
TAGS: ENRG, KU
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PAGE 02 KUWAIT 07197 241424Z

SUBJECT: EXPRESSION OF APPRECIATION RE OPEC DECISION

REF: STATE 306595 (NOTAL)

1. DURING MY MEETING WITH FOREIGN MINISTER DEC. 24 ON
ANOTHER SUBJECT, I TOOK OPPORTUNITY TO EXPRESS USG
SATISFACTION THAT OIL PRICES WERE NOT RAISED AT CARACAS

OPEC MEETING AND APPRECIATION FOR EFFORTS OF THOSE OPEC GOVERNMENTS WHICH SUPPORTED PRICE FREEZE. FOREIGN MINISTER SABAH AL-AHMAD AND UNDERSECRETARY RASHID AL-RASHID, WHO ALSO WAS PRESENT, SMILED SOMEWHAT UNHAPPILY I THOUGHT AT MY COMMENT AND AL-RASHID HASTENED TO PREDICT THAT, EVEN WITHOUT AN OIL PRICE INCREASE, HIGHER INDUSTRIAL PRICES COULD BE EXPECTED. I SUGGESTED THAT THE PROSPECTS FOR FURTHER INFLATION MAY BE SOMEWHAT LESSENED AS THE RESULT OF THE CARACAS MEETING AND UNDERLINED THE POTENTIAL DAMAGE THAT ANY OIL PRICE INCREASE WOULD HAVE HAD ON INTERNATIONAL FINANCIAL MARKETS AND THE WORLD ECONOMY, AS PRES. CARTER HAD INDICATED IN HIS RECENT LETTER TO THE AMIR. I EXPRESSED THE VIEW THAT, IN ORDER FOR THE EFFECT OF THIS FREEZE BY DEFAULT TO HAVE ANY IMPACT ON THE WORLD ECONOMY IT SHOULD CONTINUE FOR AT LEAST A FULL YEAR AND HOPED GOK WOULD SUPPORT THIS. I NOTED FOR MY PART THAT IT WAS THE PRESIDENT'S INTENTION TO PRESS CONGRESS TO ENACT A STRONG DOMESTIC ENERGY PROGRAM.

2. COMMENT: IT WAS OBVIOUS THAT NEITHER OF MY INTERLOCUTORS WERE VERY ENTHUSIASTIC ABOUT THE OIL PRICE FREEZE AND WERE VERY SKEPTICAL THAT ANY MEASURABLE REDUCTION IN INFLATION WOULD RESULT. WHILE THE KUWAITIS UNDOUBTEDLY WENT ALONG WITH THE FIRM SAUDI ARABIAN AND IRANIAN POSITION IN CARACAS, IT IS CONFIDENTIAL

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PAGE 03 KUWAIT 07197 241424Z

UNLIKELY THAT THEY WERE VERY HAPPY ABOUT IT. UNLESS VERY STRONG EFFORTS ARE MADE TO PERSUADE THE SAUDIS AND THE IRANIANS TO HOLD TO THIS POSITION OF NO INCREASE, I EXPECT THAT THE KUWAITIS WILL PLACE THEMSELVES ON THE SIDE OF THOSE OPEC MEMBERS IN FAVOR OF A PRICE INCREASE IN JUNE, ALBEIT PROBABLY A MODERATE ONE. MAESTRONE

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